

# MIHS Special Health Care District Transition Public Forum

Web site: [www.maricopa.gov/mihs2district](http://www.maricopa.gov/mihs2district)



## Special Health Care District Legislation

**MIHS PUBLIC FORUM**  
**July 13, 2004**





## Background

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- ✍ 2003 legislation was an expansion of an existing law originally adopted in 1995 to address the needs of Apache County.
- ✍ The 1995 legislation was limited to counties with populations of less than 90,000 persons.
- ✍ The 2003 legislation authorized the creation of special health care districts in Arizona counties with a population greater than 2 million.



## Background

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- ✍ The Special Health Care District law was chosen because amending an existing law is generally easier than creating a whole new law.
- ✍ The existing law generally accomplished most of the goals identified by the Citizens Task Force.



## Creation

- ✍ Voters approved Proposition 414 in November 2003.
- ✍ Board of Supervisors formed the District in February 2004, and serve as the District's interim Board of Directors through the new Board's swearing in.
- ✍ Newly-elected Board will be sworn in after November election has been certified (usually in mid to late November).



## Governance

- ✍ The District is governed by a five-member, non-partisan board, one from each County Supervisor's district.
- ✍ Board members hold four-year, "non-staggered" terms of office.
- ✍ Board positions are uncompensated, but receive a per diem of \$200 for Board meetings, plus expenses.
- ✍ No board member can be an elected or appointed state or county official, an employee of the District, a hospital board member, or a director, officer or employee of another health care institution.
- ✍ Mid-term vacancies may be filled by vote of the remaining members.



## Taxing Authority

- ✍ Initial property tax was authorized by the same vote that authorized the creation of District.
- ✍ Taxing authority must be renewed by public vote at least every 20 years.
- ✍ The District Board of Directors set taxes annually and provide a report to the Board of Supervisors, who must levy the tax.
- ✍ The amount of the levy is subject to an initial cap of \$40 million, adjusted annually based on County's levy limit.
- ✍ Taxes may be used for capital or operational expenses.



## Bond Authority

- ✍ District may issue bonds with voter approval.
- ✍ Bond indebtedness is limited to 10% of secondary assessed value of all taxable property in District.
- ✍ As of FY2004, this amount ...



## Finances

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- ✍ Revenues received by the District must be kept on deposit with the County Treasurer.
- ✍ Expenses of the District are paid by warrant approved by the District Board and issued by the County Treasurer.



## Counties > 2 Million People

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- ✍ For 10 years, District must operate a general hospital within a 3-mile radius of MMC, must operate a burn center, and must provide emergency and trauma services at levels provided at MMC as of January 2003.
- ✍ For 10 years, maternity services must be maintained at levels required for Medicaid public hospitals.



## Counties > 2 Million People

- ✈ For 10 years, District may not acquire or lease an existing general hospital outside a 3-mile radius from MMC without voter approval.
- ✈ For 10 years, District may not construct a new general hospital outside a 3-mile radius from MMC. After 10 years voter approval is required to construct a new general hospital outside the 3-mile radius.
- ✈ For 10 years, District may not construct, acquire or lease any specialty hospital (other than a psychiatric hospital or behavioral health facility) outside a 3-mile radius from MMC.



## Counties > 2 Million People

- ✈ District and County cannot *both* operate a general hospital.
- ✈ District cannot operate an ambulance service.
- ✈ For 10 years, District cannot operate outpatient surgical centers at locations other than general hospital campus of the District and at two other locations already operated by the County as of January 2003.



## Counties > 2 Million People

- ✍ District must operate a general hospital and provide medical education programs, emergency services and services to the community, including underserved populations, to the extent of available taxes.



## Special Features

- ✍ District is a tax levying public improvement district. This permits the District to joint venture with private sector entities.
- ✍ County assets and liabilities may be transferred to District by majority vote of the Board of Supervisors.
- ✍ County must purchase at least \$5 million of services from District annually.
- ✍ Services provided by the County to the District are subject to reimbursement.
- ✍ District may lease assets of the District to others by majority vote of the District Board.



## Other Requirements

- ✍ The District must:
  - ✍ Adopt a “merit system” for District employees.
  - ✍ Adopt a competitive procurement system for the purchase of goods and services.
  - ✍ Comply with the Arizona Public Records law, except:
    - ✍ Patient treatment and billing records
    - ✍ Would “demonstrably” cause the District a “competitive disadvantage”
    - ✍ Proprietary information



## Dissolution

- ✍ A District may only be dissolved by a public vote.
- ✍ A vote may be called based on the request of the District’s Board, or by a petition signed by 25% of the qualified electors of the District.
- ✍ A District may not be dissolved unless all of its outstanding liabilities for which they have been provided.





## **“Dispro” Issues**

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- ✍ The statute made specific provisions for “Special Payments” — designed to ensure that the current Disproportionate Share funding arrangement would be maintained even after the formation of the District.



## **Disproportionate Share Overview**

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## What is Disproportionate Share?

- ✧ Medicaid Disproportionate Share program, also known as “DSH” or “Dispro Share”
- ✧ Federal program established in early 1980’s
- ✧ Requires Medicaid programs to reimburse hospitals serving a “disproportionate share” of Medicaid/poor patients
- ✧ States have broad discretion over DSH qualifying criteria and payment methodology; can adjust to maximize their own fiscal benefit

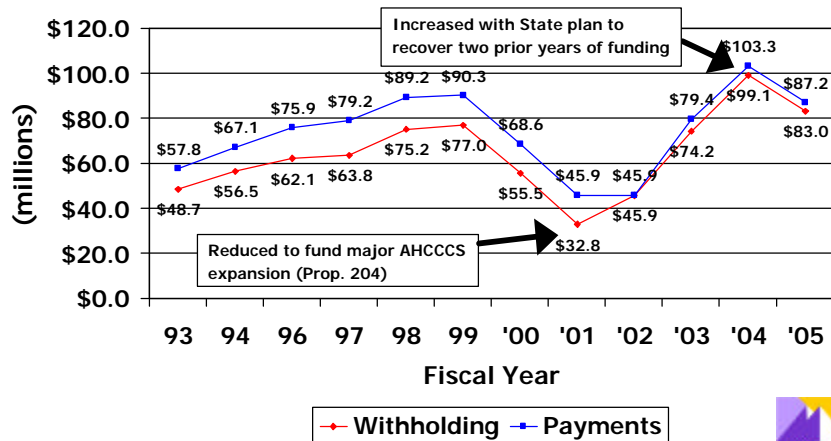


## History

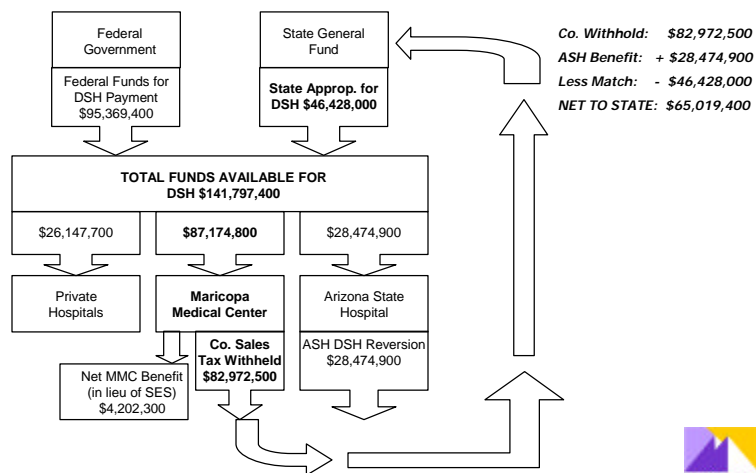
- ✧ DSH implemented in Arizona in early '90s
- ✧ State uses county funds to match Federal DSH allocations; amounts needed have been withheld from Pima & Maricopa state shared sales tax
- ✧ Originally, State, counties and private hospitals shared benefits; MMC received \$13.1 million in FY 2001
- ✧ DSH benefit to county hospitals eliminated in 2001 with voter-directed expansion of AHCCCS coverage
- ✧ MMC restored \$4.2 million in FY 03 solely to offset elimination of State Emergency Services program
- ✧ Pima Co. hospital (Kino) privatized this year; all DSH withholding now runs through Maricopa



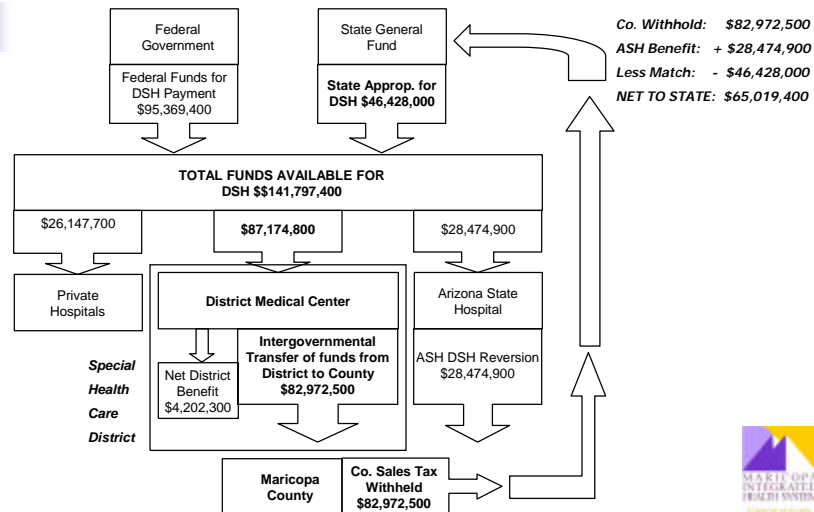
## Maricopa County DSH Payments



## FY 2005 DSH: Current Flow of Funds



## DSH Flow of Funds via New District

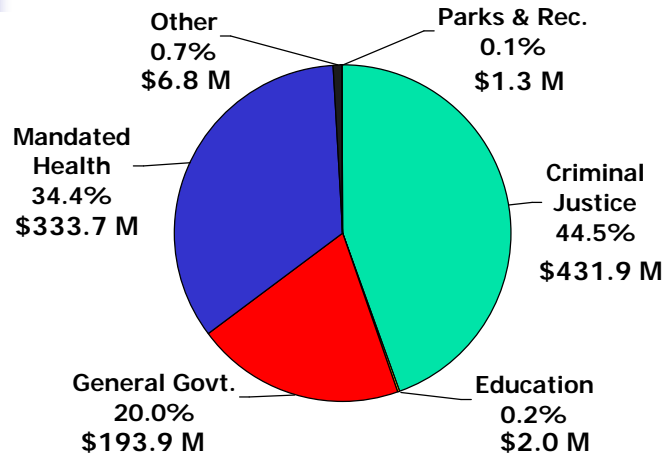


## DSH & District Legislation

- ✧ Legislature approved Special Health Care District with provisions to ensure flow of DSH to the State
- ✧ Both Maricopa County and the District are required by the statute to participate.
- ✧ Maricopa County's goal is to be held harmless, *not* to benefit
- ✧ County must continue to recover amounts withheld from its state shared sales taxes

## County General Fund

FY 05 Operating: \$969.5 million



## County General Fund

Criminal Justice: \$431.9 million

